

RIVERA & COMPANY

Review Report

QUALITY CONTROL REVIEW

For the Firm's Audit of Carpinteria Unified School District
for the Fiscal Year Ended June 30, 2002



STEVE WESTLY
California State Controller

June 2004



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California State Controller

June 11, 2004

Charles J. Rivera, CPA
Rivera & Company
405 South B Street, Suite #2
Oxnard, CA 93030-5923

Dear Mr. Rivera:

The State Controller's Office has completed a quality control review of Rivera & Company. We reviewed the audit working papers for the firm's audit of Carpenteria Unified School District for the fiscal year ended June 30, 2002.

As mutually agreed at the exit conference on February 20, 2004, we will not issue a draft report.

If you have any questions, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,

A handwritten signature in dark ink that reads "Vincent P. Brown". The signature is written in a cursive, flowing style.

VINCENT P. BROWN
Chief Operating Officer

VPB:ams/jj

cc: William J. Cirone, Superintendent
Santa Barbara County Office of Education
Sandra B. Smyser, Superintendent
Carpenteria Unified School District
Arlene Matsuura, Educational Consultant
School Fiscal Services Division
California Department of Education
Charles Pillsbury
School Apportionment Specialist
Department of Finance

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Review Report

Summary

The State Controller's Office (SCO) has completed a quality control review of the audit working papers for an audit performed by Rivera & Company of the Carpenteria Unified School District for the fiscal year ended June 30, 2002. The last day of fieldwork was February 20, 2004.

The audit referred to above was performed in accordance with the majority of the standards and requirements set forth in *Government Auditing Standards*, issued by the Comptroller General of the United States, often referred to as generally accepted government auditing standards (GAGAS); U.S. generally accepted auditing standards (GAAS); Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO. However, the SCO reviewer noted that the firm does not participate in an external quality control review.

Background

Any governmental unit subject to a single audit must have the audit performed in accordance with the standards referred to in this report. According to OMB Circular A-133, the auditor's work is subject to a quality control review at the discretion of an agency granted cognizant or oversight status by the federal funding agency. In addition, *Education Code* Section 14504.2 authorizes the SCO to perform quality control reviews of working papers for audits of K-12 local educational agencies (LEAs) to determine whether audits are performed in accordance with U.S. General Accounting Office standards for financial and compliance audits.

Rivera & Company is an independent certified public accounting firm with an office located in Oxnard, California. The firm consists of one CPA and one assistant. The firm has been the independent auditor for Carpenteria Unified School District since FY 1996-97. The audit of Carpenteria Unified School District was the only LEA audit performed by the firm in FY 2001-02. During FY 2001-02, the district operated four elementary schools, one middle school, and three high schools, with a total average daily attendance (ADA) of 2,924 for the purpose of state funding.

Objectives, Scope, and Methodology

The general objectives of the quality control review were to determine whether this audit was conducted in compliance with:

- GAGAS
- GAAS
- K-12 Audit Guide
- OMB Circular A-133

The quality control review was conducted at the office of Rivera & Company. The SCO reviewers compared the audit work performed by the CPA, as documented in the working papers, with the standards stated in the general objectives.

Conclusion

The audit referred to above was performed in accordance with the majority of the standards and requirements set forth in GAGAS, GAAS, OMB Circular A-133, and the K-12 Audit Guide. However, the SCO reviewers noted the exception discussed in the Finding and Recommendation section of this report.

This report is applicable solely to the audit working papers referred to above and is not intended to pertain to any other work of Rivera & Company.

Views of Responsible Official

The review results were discussed with Charles Rivera on February 20, 2004. Mr. Rivera agreed with the review results presented in this report. Mr. Rivera further agreed that a draft report was not necessary and that the report could be issued as final.

Restricted Use

This report is intended solely for the information and use of the specified parties; it is not intended to be and should not be used for any other purpose. This restriction is not meant to limit distribution of the report, which is a matter of public record.



JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

Finding and Recommendation

General

The Single Audit Act and the *Standards and Procedures for Audits of K-12 Local Educational Agencies* (K-12 Audit Guide), published by the SCO, require audits to be performed in accordance with U.S. generally accepted auditing standards (GAAS). These standards deal with the quality of the audits performed by the independent auditor and have been approved and adopted by the American Institute of Certified Public Accountants (AICPA). GAAS is divided into three areas: (1) general standards; (2) fieldwork standards; and (3) reporting standards. The three areas are divided into ten specific standards. In addition to GAAS, auditors of governmental entities must also perform audits in accordance with generally accepted government auditing standards (GAGAS), which expands the GAAS standards in several areas.

In the course of this quality control review, the SCO reviewers found that Rivera & Company did not comply with one GAGAS standard.

Noncompliance With Generally Accepted Government Auditing Standards (GAGAS)

FINDING— Quality Control

The SCO reviewer noted that the firm does not participate in an external quality control review program. Accordingly, the firm did not undergo an external quality control review within the last three years.

GAGAS Section 3.33 states:

Organizations conducting audits in accordance with these standards should have an external quality control review at least once every three years by an organization not affiliated with the organization being reviewed. The external quality control review should determine whether the organization's internal control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable auditing standards are being followed.

Section 316 of the K-12 Audit Guide states:

Audit organizations performing government audits are responsible for having an external peer review at least once every three years. The external peer review should determine that the organization has a functioning internal quality control system to ensure that applicable auditing standards are being followed on audit engagements, including governmental audits. Reports resulting from the external quality control reviews should be made available to oversight bodies and to auditors using the work of the audit organization.

Recommendation

The firm should comply with the quality control review requirement as set forth in GAGAS and the K-12 Audit Guide.

**State Controller's Office
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